

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 INR-07 L-03 H-02 EB-07

INRE-00 SSO-00 /047 W

----- 027699

O 090200Z JAN 76

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC NIACT IMMEDIATE 9847

C O N F I D E N T I A L SECTION 1 OF 2 KINGSTON 0128

STADIS

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: ARGENTINA EXPROPRIATION CASES

FOR ARA FISHLOW FROM BOEKER

1. WE HAVE WORKED OUT HERE FOLLOWING DRAFT CABLE TO EMBASSY BUENOS AIRES. NEED YOUR REACTION BEFORE WE TAKE IT TO SIMON ON PLANE TOMORROW. PARSKY AND ENDERS AGREE AND ARE WILLING TO RECOMMEND SIMON SETTLE FOR THIS.

2. BEGIN TEXT. THE AMBASSADOR IS REQUESTED TO MAKE THE FOLLOWING POINTS TO THE GOA AT THE MINISTERIAL LEVEL AS SOON AS POSSIBLE. DO NOT LEAVE AN AIDE MEMOIRE BUT OFFER TO GO OVER THESE POINTS AGAIN WITH WHOMEVER THE MINISTER DESIGNATES.

3. USG REVIEW OF GOA PROGRESS ON OUTSTANDING EXPROPRIATION CASES HAS CONCLUDED THAT: (A) GOA ASSURANCES AND STATEMENTS OF INTENT IN LAST 90 DAYS ARE ENCOURAGING EVIDENCE OF ITS INTENT TO SETTLE THESE CASES; (B) YET ACTUAL RESULTS SO FAR ARE MEAGER AND IN THEMSELVES INSUFFICIENT; (C) THEREFORE, FURTHER CONCRETE STEPS WITHIN THE NEXT MONTH TOWARD SETTLEMENT OF OUTSTANDING CASES WOULD BE NEEDED TO MAKE IT POSSIBLE TO DETERMINE AT THAT POINT THAT ARGENTINA IS ELIGIBLE FOR GENERALIZED PREFERENCES UNDER THE TRADE REFORM ACT; (D) IN THE ABSENCE OF SUFFICIENT CONCRETE STEPS, CONFIDENTIAL

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WE WOULD THEN BE OBLIGED TO RECOMMEND TO THE PRESIDENT

THAT HE GIVE 60 DAYS NOTICE OF HIS INTENT TO WITHDRAW ARGENTINA'S  
ELIGIBILITY FOR GENERALIZED PREFERENCES.

4. NEEDLESS TO SAY WE WOULD REGRET SUCH AN OUTCOME BUT  
ARE OBLIGED TO APPLY SECTION--- OF THE TRADE ACT ON A NON-  
DISCRIMINATORY BASIS TO ALL COUNTRIES AND MUST BE ABLE TO  
JUSTIFY ALL DETERMINATIONS OF ELIGIBILITY TO THE CONGRESS.

5. IN AN EFFORT TO AVOID A NEGATIVE DETERMINATION IN THE  
CASE OF ARGENTINA, AND WITH NO INTENT TO PRESCRIBE THE FORM AND  
PROCEDURE THE GOA MIGHT CHOOSE IN MEETING ITS OBLIGATION TO  
PAY PROMPT AND FULL COMPENSATION, THE US WISHES TO CITE A  
NUMBER OF POSSIBLE STEPS THE GOA COULD TAKE AS EXAMPLES OF  
CONCRETE PROGRESS TOWARD SETTLEMENT, AS WE INTERPRET THE  
TRADE ACT'S PROVISIONS. THESE FALL INTO TWO CLASSES: STEPS  
TOWARD SETTLEMENT AND ACTION ON PAYMENT OF COMPENSATION.  
BASICALLY WE REQUIRE FOR A FINDING OF SUFFICIENT PROGRESS  
THAT DURING THE COMING MONTH THERE BE CONCRETE STEPS TOWARD  
SETTLEMENT OF ALL OUTSTANDING CASES AND IN AT LEAST ONE, ACTION  
ON PAYMENT OF COMPENSATION. IN SOME CASES THE EXAMPLES OF  
PROGRESS WE CITE DO LITTLE MORE THAN PREVENT FURTHER DETERIORA-  
TION IN THE SITUATION OF AFFECTED FIRMS. WE BELIEVE THAT IN ALL  
CASES THE EXAMPLES OF PROGRESS TOWARD SETTLEMENT WE CITE  
DESCRIBE ACTIONS WITHIN THE EXECUTIVE BRANCH'S POWER. ACTION  
ON COMPENSATION PAYMENT IN SOME CASES MAY INVOLVE CONGRES-  
SIONAL OR JUDICIAL STEPS.  
STEPS TOWARD SETTLEMENT

6. IN THE CASE OF CHASE MANHATTEN THE GOA MIGHT AGREE  
TO AN IMPARTIAL VALUATION OF CHASE ASSETS OR BEGIN NEGOTIATIONS  
WITH CHASE ON VALUATION.

7. IN THE CASE OF EXXON AND CITIES SERVICE THE GOA MIGHT  
REGISTER, IF NOT ALREADY DONE SO, EXXON AND CITIES SERVICE  
CAPITAL UNDER THE FOREIGN INVESTMENT LAW SO THAT WHATEVER  
CAPITAL IS REPATRIATED BECAUSE OF THE TAKEOVER IS FREE OF THE  
TRANSFER TAX. ALTERNATIVELY, THE GOA AND THE TWO FIRMS MIGHT  
AGREE ON WHAT ASSETS THE GOA IS TO BUY, AND VALUATION OF THESE  
OR AN IMPARTIAL VALUATION PROCEDURE.

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8. IN THE CASE OF STANDARD (ITT) THE GOA MIGHT ISSUE  
PURCHASE ORDERS TO STANDARD ON REASONABLE TERMS AND CONDITIONS  
IN SUCH VOLUME AS PERMIT STANDARD TO AVOID FURTHER LOSSES OR  
TO ACCOMPLISH THE SAME RESULT BY SMALLER ORDERS COMBINED WITH  
PERMISSION TO STANDARD TO REDUCE ITS EMPLOYMENT TO THE LEVEL  
REFLECTING OPERATING REQUIREMENTS. ALTERNATIVELY THE GOA COULD  
PERMIT PAYMENT OF THE UNDISPUTED PORTION OF THE ENTIRE DEBT TO  
STANDARD AND ALLOW ITS REMISSION FROM ARGENTINA WHILE RESOLVING

THE PROBLEM ON CURRENT EMPLOYMENT.

9. IN THE CASE OF DELTEC THE GOA LIQUIDATOR COULD  
BEGIN SELLING THE ASSETS OF SWIFT SUBSIDIARIES (PROVITA ANIMAL  
FEED, IBRI CHICKEN HATCHERY) TO ADVANCE BANKRUPTCY PROCEEDINGS.  
ALTERNATIVELY, THE GOA SHOULD SET A REASONABLE VALUATION FOR  
PURCHASE OF SWIFTS MEATPACKING PLANT.

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 INR-07 L-03 H-02 EB-07

INRE-00 SSO-00 /047 W

----- 027781

O 090200Z JAN 76

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC NIACT IMMEDIATE 9848

C O N F I D E N T I A L SECTION 2 OF 2 KINGSTON 0128

STADIS

ACTION OF PAYMENT OF COMPENSATION

10. TO ENABLE A FINDING OF SUFFICIENT PROGRESS THE GOA  
SHOULD, IN ADDITION TO CONCRETE STEPS ON EACH OF THESE  
CASES EQUIVALENT TO THE EXAMPLES CITED ABOVE TAKE ACTION ON  
PAYMENT OF COMPENSATION IN AT LEAST ONE CASE. EXAMPLES OF  
SUCH ACTION WOULD, IN OUR VIEW, INCLUDE THE FOLLOWING:

(A) GRANTING TO STANDARD ALL PERMISSIONS NECESSARY TO  
SELL ITS HOTEL AND TRANSFER THE PROCEEDS.

(B) AN OFFER BY THE GOA TO STANDARD OF A SPECIFIC AMOUNT  
ADEQUATE TO PROVIDE FULL COMPENSATION FOR ITS ASSETS AND, IF  
AGREEABLE TO STANDARD, SUBMISSION OF DRAFT LEGISLATION TO  
PROVIDE SUCH COMPENSATION.

(C) A GOA OFFER TO CHASE MANHATTAN OF A SPECIFIC AMOUNT  
ADEQUATE TO PROVIDE FULL COMPENSATION FOR ITS ASSETS AND, IF  
AGREEABLE TO CHASE, SUBMISSION OF DRAFT LEGISLATION TO PROVIDE

SUCH COMPENSATION.

(D) A GOA OFFER TO PURCHASE EXXON AND CITIES SERVICES  
ASSETS AT A STATED REASONABLE PRICE AND AGREEMENT TO PERMIT  
CONVERSION AND REMISSION OF ANY PESO COMPENSATION.

(E) AUTHORIZATION OF THE GOA LIQUIDATOR OF SWIFT TO SELL  
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ALL SWIFT ASSETS NECESSARY TO MEET OBLIGATIONS TO SWIFT CREDITORS  
AND PROMPT RETURN OF ALL OTHER DELTEC ASSETS TO ITS CONTROL.

11. FYI. FOR THE AMBASSADOR. WE REALIZE THAT YOU ARE  
FACED WITH A GOVERNMENT WITH EXTREMELY LIMITED ABILITY TO GOVERN.  
YET ON THE TRADE ACT WE HAVE VIRTUALLY NO FLEXIBILITY. WE HAVE  
TO MOVE ON ARGENTINA IN THE ABSENCE OF SUFFICIENT FURTHER PROGRESS  
ON EXPROPRIATION CASES. WE HOPE YOU CAN IMPRESS THE GOA OF  
SERIOUSNESS OF THE SITUATION AND CAN GET THEM TO WORK WITH YOU  
ON DEVELOPING A PROGRAM OVER COMING MONTH TO ACHIEVE SUFFICIENT  
PROGRESS. WE WOULD SPECIFICALLY WELCOME ANY PROPOSED CHANGES  
OR ADDITIONS FROM YOU TO OUR MENU OF STEPS TOWARD SETTLEMENT AND  
ACTIONS ON PAYMENT OF COMPENSATION. WE WOULD APPRECIATE YOUR  
REPORTING ON THE GOA RESPONSE TO YOUR EFFORTS OVER THE COMING  
MONTH. WE ANTICIPATE THAT ACTIONS OF GOA IN NEXT 10 DAYS WILL  
INDICATE GOA INTENTIONS SINCE THEY WILL NEED TO BEGIN SOON ON  
CONCRETE ACTIONS IN ORDER TO MEET SUFFICIENCY CRITERIA NOTED  
ABOVE. END FYI.  
GERARD

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